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Annual report of the Administrator

Midterm review of the UNDP Strategic Plan, 2014-2017, including the annual report of the Administrator for 2015

Summary

In response to Executive Board decision 2013/27, this report combines the midterm review of the UNDP Strategic Plan, 2014-2017, and the annual report of the Administrator for 2015. The report presents development and institutional results achieved during the first two years of the Strategic Plan's implementation. This is complemented by an assessment of performance factors, lessons learned and recommendations for the way forward.

The Executive Board may wish to: (a) take note of the midterm review of the Strategic Plan, 2014-2017, including the annual report of the Administrator for 2015, and its annexes; (b) welcome the improved quality of the analysis of development and institutional performance; and (c) encourage UNDP to take the lessons from the midterm review into account in the preparation of the next Strategic Plan.

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Annexes (available on the Executive Board website)

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I. A changing development landscape

1. The analysis of development conditions set out in the Strategic Plan remains valid in mid-2016. Changes in the development landscape since 2013, however, have created new opportunities and challenges that will shape the Plan's implementation strategies in its remaining two years.

2. On the upside, extreme poverty remains on a downward trajectory and major development gains made over the past decade are still largely intact, although vulnerable to worsening of current conditions. Some structural constraints to development are also being relaxed gradually, such as the possible decoupling of economic growth from carbon emissions. On the downside, the world still faces many transient or cyclical factors, such as economic uncertainty in developed and developing economies; negative net resource transfers to developing countries as a whole in 2015; crises in several regions; and the effects of El Niño. These remains tightly interwoven with more structural impediments to development: entrenched inequality and deprivation; diminishing effects of growth on poverty reduction as the poor become harder to reach; economic structures that have yet to make the transition to higher productivity and value addition, with some countries facing a 'middle-income trap'; rising climate and disaster risks; large-scale displacement and increasingly protracted crises; and the reduced capacity of many countries to absorb further shocks. Moreover, significant demographic shifts characterized by both an ageing population in several middle-income economies and a swelling population of young people in many lower income countries, pose opportunities and challenges to development. This holds equally true for the unprecedented wave of urbanization the world is undergoing.

3. The year 2015 was a watershed for global development. The agreements reached by Member States - the Sustainable Development Agenda 2030, the Paris Climate Agreement, the Sendai Framework for Disaster Risk Reduction and the Addis Ababa Action Agenda on financing for development – have set a new global agenda for a generation. Its achievement will require a more integrated, multi-stakeholder approach, breaking down silos between sectors, actors and financing.

4. Moreover, the past few years have demonstrated the enormous power of development, allowing more countries than ever before to graduate from low- to middle-income status and dramatically changing our development landscape. But, at the same time, we have also seen the opposite: seemingly robust development pathways, derailed for years to come by insecurity and conflict. Within this highly dynamic context, designing smart, risk-informed and sustainable human development solutions will remain critical.

5. The midterm review of the Strategic Plan assesses the organization's performance against this changing development landscape, and reaffirms its commitment to remaining a strong partner to Member States as they make the Sustainable Development Goals a reality for their citizens.

II. Performance profile

A. Key findings

Development results

6. **At midpoint, UNDP is on track towards achieving the majority of the 2017 targets of the Strategic Plan.** Of 38 outputs, 32 (84 per cent) met or exceeded cumulative 2015 milestones and six (16 per cent) fell marginally short of their milestones. No output fell below the 60 per cent threshold deemed as a potential performance risk.

Box 1: Development progress in numbers

Sustainable development pathways

- 18.6 million people (50 per cent women) benefiting from improved livelihoods in 115 countries, from economic transformation, natural resources management and early recovery[1];
- 1.346 million new jobs (42 per cent for women) created in 94 countries[1];
- 63 countries adopting policies and systems to boost employment and livelihoods creation;
- 53 countries implementing Millennium Development Goal acceleration framework action plans;
- 22 countries developing actions plans to address unfinished Millennium Development Goals work and transition to Sustainable Development Goals;
- 76 countries implementing measures towards low-emission and climate-resilient development.

Inclusive and effective democratic governance

- Over 68 million new voters registered in 37 countries;
- 2.1 million people (51 per cent women) in 33 countries gaining access to legal aid services;
- 1.79 million people in 21 countries receiving antiretroviral treatment;
- Over 24 million people receiving HIV-related behavioural change communication in 25 countries;
- 9.7 million people (48 per cent female) expressing their vision for the future through the 'My World' global survey hosted by UNDP, the largest crowd-sourcing exercise in United Nations history.

Resilience-building

- 1,035 disaster reduction and adaptation plans being put in place in 51 countries;
- 35 countries with enforceable laws or regulations to address disaster and climate risks;
- Over 2.5 million people achieving better access to energy in 45 countries;
- 189 end-to-end early warning systems established in 26 countries;
- 407 disaster response and recovery plans being put in place in 28 countries.

7. **Performance is balanced across all outcome areas:**

(a) All outputs for outcomes 4 (gender), 5 (risk reduction) and 6 (early recovery) met or exceeded their cumulative 2015 milestones;
(b) One output each under outcomes 3 (basic services) and 7 (thought leadership) missed its cumulative 2015 milestones;
(c) Two (out of five) outputs under outcomes 1 (inclusive growth) and 2 (democratic governance) fell slightly short of their cumulative 2015 milestones.

8. **UNDP was able to lift performance for six outputs from 'amber' or 'red' in 2014 to 'green' in 2015.** Results improved for outputs on gender evidence (4.3), women's participation in decision-making (4.4), gender-responsive climate and disaster risk management (5.3), natural hazard preparedness (5.4), innovative partnerships for early recovery (6.3) and addressing bottlenecks to the Millennium Development Goals (7.8).

9. **Midpoint analysis, however, points to some gaps in performance that will require further investigation and action.** Performance dipped slightly below the 100 per cent achievement line in 2015 in energy efficiency (1.5), anti-corruption (2.2), civil society engagement (2.4), basic services (3.2) and

[1] Summarizes results across relevant indicators without double counting (Annex).

global development financing (7.4). In one area, work on sustainable management of natural resources (1.3), the 'amber' performance rating did not change from 2014 to 2015.

10. **The Strategic Plan's offer has seen significant uptake at country level.** If demand for UNDP assistance is proxied by the number of country offices linked to each output, outcomes 1, 2 and 3 show the highest uptake, followed by outcomes 5 and 7. Outcome 6 followed by outcome 4, is at the lowest level (Figure 2). The data, however, requires interpretation: a significant amount of work on gender equality is built into other outcomes; and crises conditions are, by definition, relatively lower in number and unpredictable. Looking at expenditure, 10 outputs across four outcomes (1, 2, 3 and 6) saw investments in 2015 of $100 million and above; seven outputs across five outcomes (1, 2, 5, 6, and 7) recorded between $50 million and $100 million; and 12 outputs across five outcomes (2, 3, 5 and 7) received investments of $20-$50 million. The output with the largest 2015 expenditure was output 3.5 (citizen security), mainly due to high expenditure in one country. This was followed by output 1.1 (productive capacities) and output 3.3 (HIV and related services). Nevertheless, nine outputs recorded 2015 expenditures of less than $20 million, which will require management review and action.

11. **Work outside the Strategic Plan is limited to a small set of country-specific priorities.** Budgets in 2015 not linked to Strategic Plan outputs amounted to approximately $82 million. Further analysis reveals that this includes a large number of projects that should have been linked to outputs or institutional result areas: out of 59 project outputs with a budget of $100,000 and above, only 13 did not directly relate to Strategic Plan outputs.

12. **The pace of progress towards 2017 targets is very solid.** The majority of outputs (95 per cent) are at 40 per cent or more of their 2017 targets, and 61 per cent have already exceeded 60 per cent of their 2017 targets. This finding is indicative as midpoint does not necessarily equal a 50 per cent target achievement given varying results pathways.

13. **Uptake of gender-sensitive programming has seen a small increase across all outcomes.** Analysis of the Integrated Results and Resources Framework (IRRF) reveals that 138 countries reported against sex-disaggregated or gender-specific indicators in 2015 (compared to 137 in 2014), with a particular concentration in outcomes 1 and 2. Performance against these indicators met or exceeded the 100 per cent achievement mark for 18 outputs and missed it for three. Comparing gender indicator performance against overall aggregate performance, data show that gender indicators performed lower for nine outputs, higher for six and at the same level for two. Thirty-five per cent of UNDP expenditures made a significant contribution to gender equality or have gender equality as a principal objective. While this is a slight increase from 2014, when the figure was 34 per cent, it is still short of the mid-point milestone.

14. **UNDP is starting to have more information on targeting of its programme interventions.** In 2015, country offices reported for the first time on targeting within country programme outcomes, which revealed the highest levels of targeting for women under outcomes 4 (96 per cent) and 6 (82 per cent), for youth under outcomes 6 (71 per cent) and 2 (61 per cent), for extreme poor under outcomes 1 (58 per cent) and 4 (52 per cent), and for female-headed households under outcomes 4 (64 per cent) and 6 (47 per cent). These findings need to be interpreted with caution given the newness of the reporting requirement and the overlap of target groups. It is also important to note that men were not specified as a target group.

Results to resources

15. **Only two years after the introduction of a new IRRF, it is not yet possible to draw firm conclusions on the relationship between resources and results.** Despite this, the organization has significantly advanced its understanding of the methodological challenges that will need to be addressed going forward, such as the dynamic nature of milestones that prevent the organization from identifying clear funding gaps.

16. Expenditure distribution during 2014-2015 generally mirrored demand, measured by the number of countries implementing projects (Figure 1). UNDP expenditure increased for outcomes 4, 5, 6 and 7 between 2014 and 2015 and decreased for outcomes 1, 2 and 3.

17. Funding, however, is falling short of Strategic Plan targets by a substantial margin in the case of outcomes 2, 4, 6 and 7 (Figure 2). It remains on- track for outcomes 1, 3 and 5.

Figure 1. Number of linked countries and 2014-2015 expenditure by Strategic Plan output
(*In millions of United States dollars*)

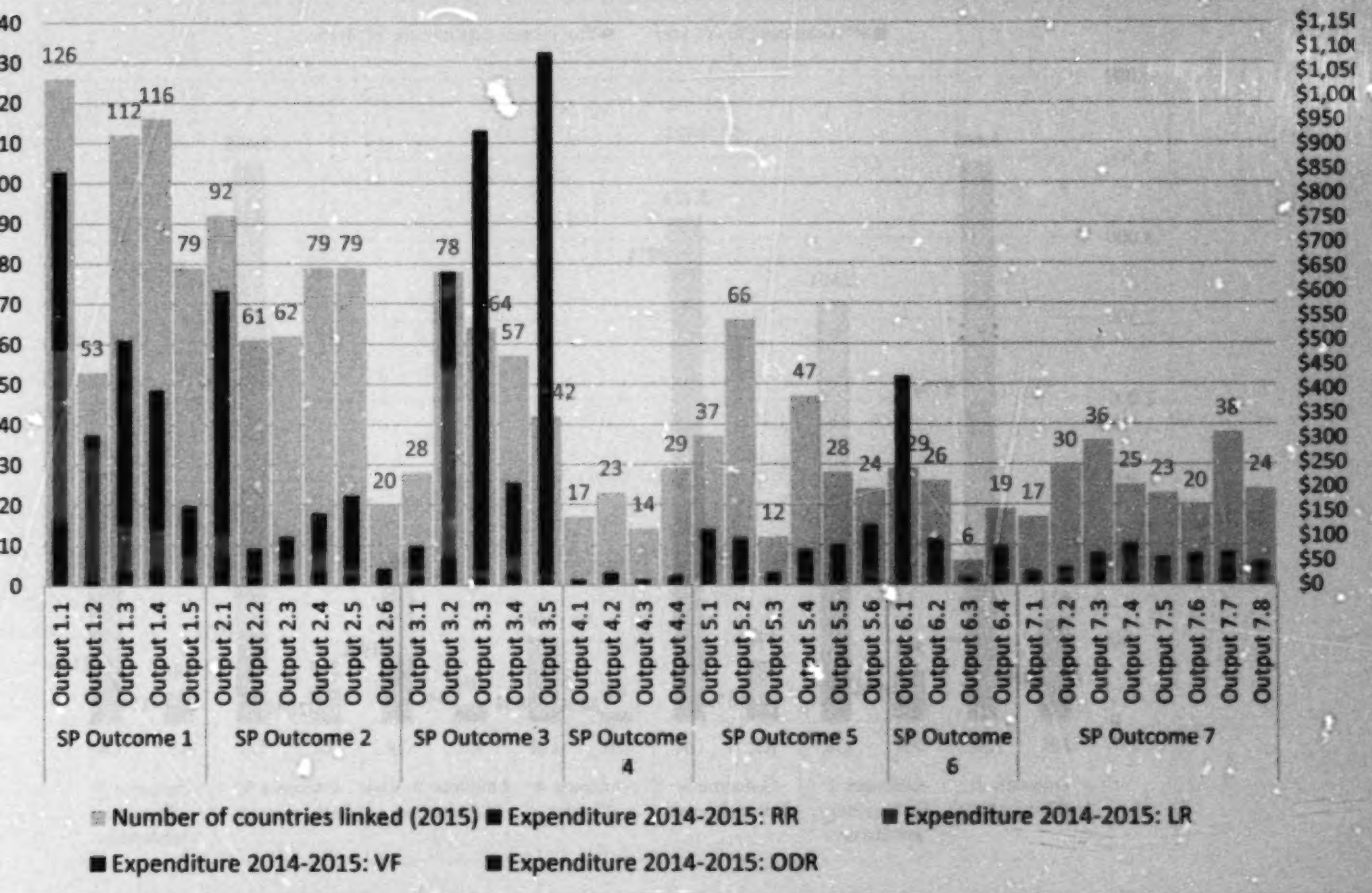
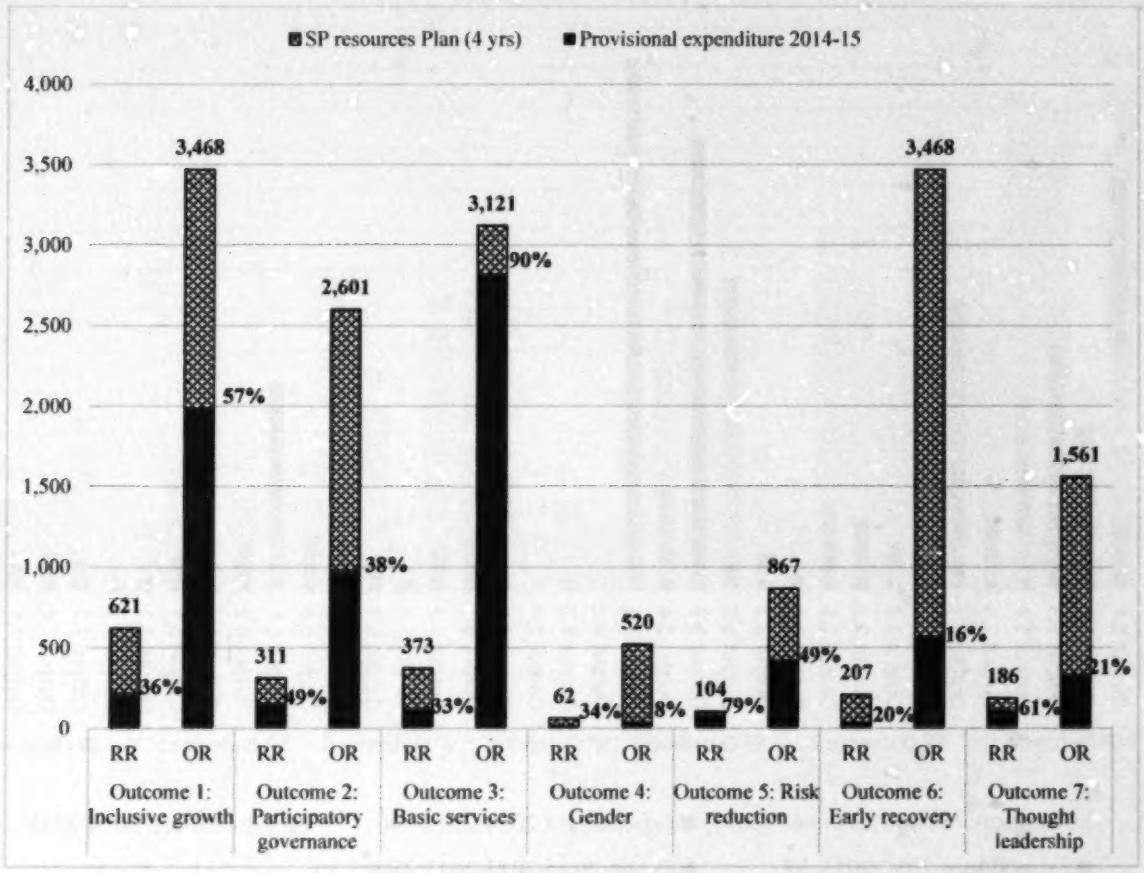


Figure 2. 2014-2015 provisional programme expenditure against planned resources 2014-2017
(In millions of United States dollars)



Institutional results

18. **The institutional backbone of UNDP is more robust at midpoint. Investments in boosting institutional performance are starting to have an impact on producing development results.** The structural change process has been instrumental in bringing programme advisory and support services closer to the organization's frontline units, which has started to facilitate higher performance.

19. Moreover, the organization's effort to align its country programmes behind clear thematic, design and operational standards is yielding gains. By the end of 2015, 87.5 per cent of project outputs and 92 per cent of programme expenditures were linked to Strategic Plan outputs. Furthermore, independent analysis to assess country offices' uptake of alignment standards reveals encouraging results. An index of alignment to the Strategic Plan, measuring progress in understanding and implementing these standards, showed that 33 per cent of country offices made remarkable progress within a short timeframe, 35 per cent showed good progress and 32 per cent needed to make additional efforts (Annex).

Box 2: Institutional progress in numbers

Development effectiveness

- New programme and project quality standards rolled out, becoming mandatory as of January 2016;
- 84 per cent of country offices report measures to improve data collection and monitoring;
- 64 per cent of country offices spending 1-3 per cent of their budget on M&E;
- 56 per cent of country offices with one or more M&E specialist(s);
- 56 per cent of country offices working on strengthening national statistical capacities;
- 90 per cent of country offices trained within nine months to meet alignment standards.

Management

- $33 million in annual salary and rent cost-savings through structural change;
- 78 per cent of operating units compliant with international standards for financial quality;
- 2017 target for female staff (50 per cent) achieved by 2015.

Partnership

- Ranked first on the Aid Transparency Index in 2014 and 2015 (only agency surpassing 90 per cent);
- 82 per cent of business units compliant with internal transparency standards;
- 1,800 project results published for the first time in 2015;
- 72 per cent of planned actions in UNDP's quadrennial comprehensive policy review (QCPR) action plan implemented;
- 90 per cent of country offices implementing common services;
- 55 per cent of country offices implementing standard operating procedures.

20. **Almost two thirds of institutional effectiveness and efficiency indicators have either met, exceeded or come very close to their cumulative 2015 milestones.**

21. Indicators that met or exceeded their milestones measured advances in South-South cooperation, management efficiency, compliance with security, procurement and financial standards, audits, human resources management and implementation of the UNDP QCPR action plan. Implementation of the cost-recovery policy shows significant progress, although more efforts are needed to reach the 2017 target (see also the midterm review of the integrated budget).

22. Indicators that missed their milestones by less than 20 per cent can be bundled into two groups. On the one hand, good and sustained progress was seen on compliance with internal standards for transparency and information disclosure, reduction of management travel expenditures and staff engagement, all of which came very close to meeting their milestones. On the other hand, attention needs to be paid to lower levels of resource mobilization, still slow progress in meeting business continuity requirements, shortfalls in country office annual reporting reflecting higher standards, and partners' perception of the organization's effectiveness in delivering against the Strategic Plan (based on early 2015 data).

23. Indicators that recorded significantly lower-than-anticipated performance include expenditure with a significant gender component, for which monitoring will be enhanced. Data on partner satisfaction with leadership of the resident coordinator system is still based on the February 2015 survey. UNDP has increased its contribution to the resident coordinator system in 2015 and partner satisfaction will be reassessed in early 2017.

B. In-depth profile of development performance

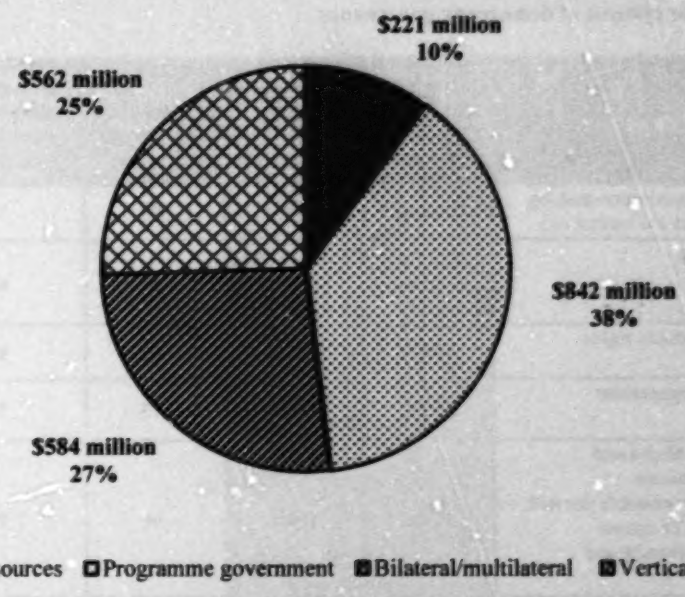
24. UNDP has introduced a number of enhancements to how it monitors performance. The level of ambition in the development report card introduced in 2014 has been raised: indicators performing below 60 per cent of their milestone value are now classified as 'red' (compared to 50 per cent in 2014), a standard harmonized with the United Nations Population Fund, United Nations Children's Fund and United Nations Entity for Gender Equality and Empowerment of Women. In addition, two new indicators have been introduced: 'percentage of countries that planned to deliver results in 2015 which met or exceeded their milestones'; and 'a comparison of 2015 gender performance with overall 2015 performance'. Moreover, UNDP completed an organization-wide exercise in 2015 to improve the quality of its development evidence (Annex).

25. Aggregate results are described below with examples from country, regional and global programmes shown in the Annex.

Outcome 1: Growth and development are inclusive and sustainable, incorporating productive capacities that create employment and livelihoods for the poor and excluded.

Strategic Plan output		Progress against milestones		Number of countries reporting	% countries with planned 2015 results which met/exceeded milestones	2015 gender performance vs. overall performance
		2014	2015			
1.1	Structural transformation of productive capacities	111%	116%	118	57%	Lower (103%)
1.2	Inclusive and sustainable social protection	163%	111%	49	91%	Lower (100%)
1.3	Sustainable management of natural resources, ecosystem services, chemicals and waste	91%	89%	115	75%	Lower (73%)
1.4	Climate change adaptation and mitigation	109%	104%	119	86%	n/a
1.5	Increased energy efficiency and universal modern energy access	114%	91%	82	68%	Higher (116%)
Expenditure with gender equality as 'significant' or 'principal' objective: 42%						

Figure 3. Provisional programme expenditure, 2014-2015
$2,209 million (26% of total)
2014: $1,120 million 2015: $1,089 million



26. Performance against outcome 1 has been mostly good, with three outputs exceeding their 2015 milestones and two missing their milestones by around 10 per cent. The 'amber' rating for outputs 1.3 and 1.5 is caused by a relatively small number of countries (around 20) missing their 2015 milestones. Further investigation into potential causes will be conducted. Performance of gender indicators, while exceeding their milestones, was less strong than overall performance in part due to lower performance of indicators on jobs and livelihoods for women.

27. Total expenditure in 2014-2015 was $2,209 million, falling by 3 per cent in 2015.

28. Results achieved with UNDP support included:

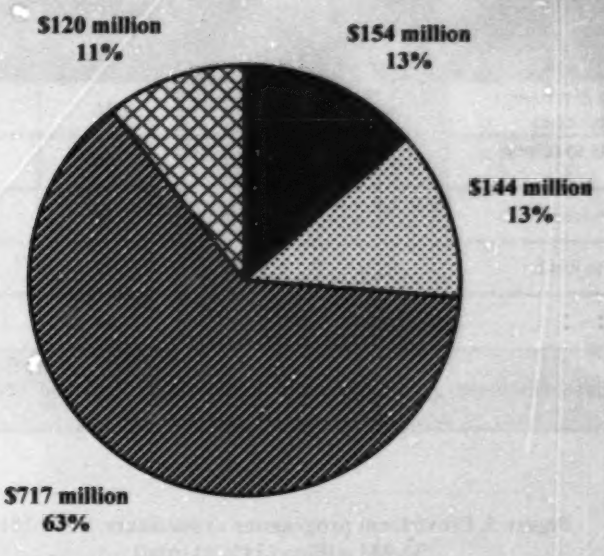
(a) improved policies, systems or institutional measures for jobs and livelihoods creation in 63 countries;
(b) more than 1.159 million jobs created through economic transformation activities in 75 countries (42 per cent for women) and another 83,000 jobs created through natural resource management in 41 countries (51 per cent for women);
(c) 8.22 million people in 86 countries (57 per cent women) benefiting from strengthened livelihoods related to economic transformation and another 5.65 million people in 72 countries (50 per cent women) benefiting from livelihoods through natural resources management;
(d) 14 countries with more financially sustainable social protection systems;
(e) more than 2.5 million people with improved access to energy;
(f) 76 countries implementing measures towards low-emission and climate-resilient development, as well as 513 new development partnerships for sustainable energy solutions;
(g) data, analytic and advisory inputs into national policies on use of clean energy and energy efficiency in 12 countries;
(h) preparation of intended nationally determined contributions in 43 countries;
(i) two countries able to access initial funding from the Green Climate Fund;

(j) forests, pastures, biodiversity and water resources conserved, protected and/or utilized sustainably, with 971 new partnership mechanisms supporting sustainable solutions in 80 countries.

Outcome 2: Citizens' expectations for voice, development, the rule of law and accountability are met by stronger systems of democratic governance.

Strategic Plan output		Progress against milestones*		Number of countries reporting	% countries with planned 2015 results which met/exceeded milestones	2015 gender performance vs. overall performance
		2014	2015			
2.1	Parliaments, constitution-making bodies and electoral institutions	120%	105%	93	78%	Higher (108%)
2.2	Anti-corruption	103%	97%	57	82%	n/a
2.3	Capacities of human rights institutions	109%	106%	67	93%	n/a
2.4	Civil society engagement	100%	95%	75	74%	Higher (102%)
2.5	Frameworks, policies and institutions to ensure conservation, sustainable use and benefit-sharing of natural resources, biodiversity and ecosystems	169%	104%	96	79%	n/a
2.6	Discrimination and emerging issues	150%	122%	33	50%	same
Expenditure with gender equality as 'significant' or 'principal' objective: 36%						

Figure 4. Provisional programme expenditure, 2014-2015
$1,135 million (13% of total)
2014: $606 million 2015: $529 million



29. Performance against outcome 2 has been good, with four outputs exceeding their 2015 milestones and two falling short by 5 per cent or less. The 'amber' rating for outputs 2.2 and 2.4 was caused by 6 and 18 countries, respectively, missing their milestones. Potential causes of the lagging performance will be investigated. Performance of gender indicators was good, exceeding overall performance for relevant outputs, reflecting results in women's political participation, inclusion in local level governance and legal reforms.

30. Total expenditure in 2014-2015 was $1,135 million, down 13 per cent in 2015, mostly for output 2.1, constituting the largest decline among all outcomes. An encouraging development is the increasing share of expenditure funded by programme country governments for outputs 2.1, 2.2 and 2.6.

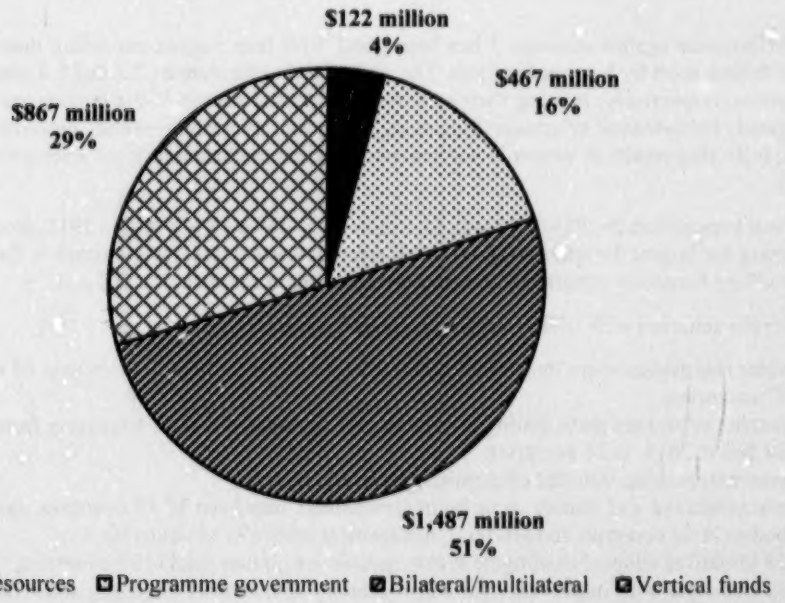
31. Results achieved with UNDP support included:

(a) voter registration more than doubling from 29.4 million in 2014 to more than 68 million in 2015 in 37 countries;
(b) number of women participating as candidates in national elections increasing from 3,822 in 2014 to 34,866 in 2015, in 26 countries;
(c) preparation or amendment of constitutions in 10 countries;
(d) administrative and human capacity of parliament improved in 45 countries, constitution-making bodies in 32 countries and electoral management bodies in 38 countries;
(e) 58 initiatives adopted to mitigate sector-specific corruption risks in 35 countries;
(f) 32 countries with improved legal and regulatory frameworks for engagement of women's groups and 28 countries for youth groups;
(g) greater capacity for engagement in development and crisis-related issues among women's groups in 37 countries, and youth groups in 39 countries;
(h) expanded capacities of human rights institutions in 37 countries.

Outcome 3: Countries have strengthened institutions to progressively deliver universal access to basic services.

Strategic Plan output		Progress against milestones		Number of countries reporting	% countries with planned 2015 results which met/exceeded milestones	2015 gender performance vs. overall performance
		2014	2015			
3.1	National ownership of recovery and development processes	150%	103%	26	50%	n/a
3.2	Subnational capacity to deliver basic services	105%	98%	70	89%	n/a
3.3	HIV and related services	130%	105%	30	76%	Higher (114%)
3.4	Rule of law/access to justice	208%	156%	52	64%	Lower (118%)
3.5	Citizen security	133%	126%	44	89%	Lower (93%)
Expenditure with gender equality as 'significant' or 'principal' objective: 28%						

Figure 5. Provisional programme expenditure, 2014-2015
$2,943 million (34% of total)
2014: $1,484 million 2015: $1,459 million



32. Performance against outcome 3 has been strong, with four of five outputs exceeding their 2015 milestones, three by a substantially greater margin than under any other outcome. The 'amber' rating for output 3.2 was due to five countries missing their milestones. Performance of gender indicators, however,

was lower than overall performance for output 3.4 (but above the milestone) and output 3.5, in the latter case due to a shortfall against milestones for gender-sensitive security strategies).

33. Total expenditure in 2014-2015 was $2,943 million, down 1.6 per cent in 2015.

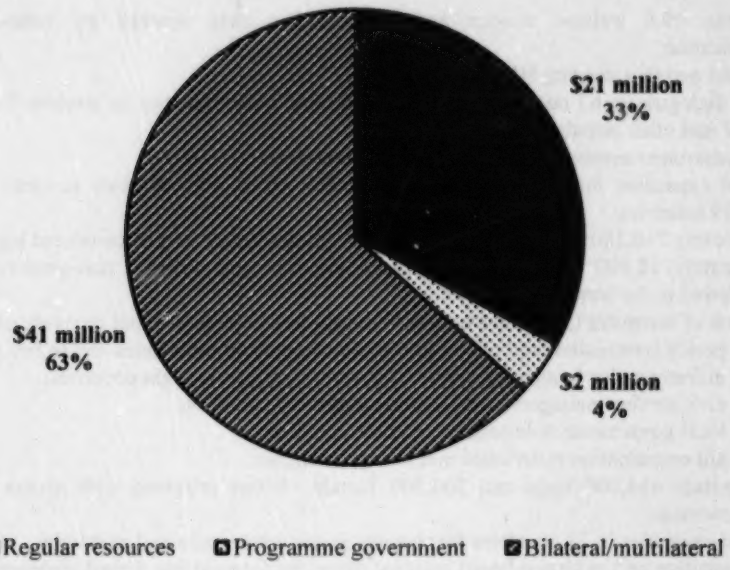
34. Results achieved with UNDP support included:

(a) more than 10.6 million women and 12.3 million men reached by behavioural change communication;
(b) 1.8 million people receiving HIV treatment;
(c) national dialogues in 62 countries to review legal and policy barriers to services for people living with HIV and other population groups;
(d) legal environment assessments completed in 52 countries;
(e) improved capacities for planning, budgeting and/or monitoring of basic services at subnational level in 39 countries;
(f) approximately 740,100 women and 718,900 men gaining access to justice-related legal services;
(g) approximately 18,300 cases of gender-based violence and 407,000 non-gender-based-violence cases referred to the formal justice system;
(h) integration of measures to improve core governance functions in national recovery plans:
    (i) policy formulation and public financial management milestones met in seven countries;
    (ii) milestones for 'managing centre of government' met in eight countries;
    (iii) civil service management milestones met in 10 countries;
    (iv) local governance milestones met in six countries;
    (v) aid coordination milestones met in nine countries'
(i) approximately 414,800 male and 304,500 female victims provided with access to transitional justice processes;
(j) improved capacities in 24 countries for security sector governance and oversight;
(k) gender-sensitive and evidence-based security strategies for reducing armed violence and/or control of small arms operational at community level in 16 countries.

Outcome 4: Faster progress is achieved in reducing gender inequality and promoting women's empowerment.

Strategic Plan output		Progress against milestones		Number of countries reporting	% countries with planned 2015 results which met/exceeded milestones	2015 gender performance vs. overall performance
		2014	2015			
4.1	Women's economic empowerment	100%	100%	24	91%	Same
4.2	Sexual and gender-based violence	192%	118%	33	81%	Same
4.3	Gender evidence	[illegible]	100%	25	83%	Same
4.4	Women's participation in decision-making	86%	105%	38	68%	Same
Expenditure with gender equality as 'significant' or 'principal' objective: 36%						

Figure 6. Provisional programme expenditure, 2014-2015
$64 million (1% of total)
2014: $31 million 2015: $33 million



35. Performance against outcome 4 has been strong, with all outputs exceeding their 2015 milestones, and outputs 4.3 and 4.4 recording a marked improvement from 2014.

36. Total expenditure in 2014-2015 was $64 million, with a 7 per cent increase in 2015.

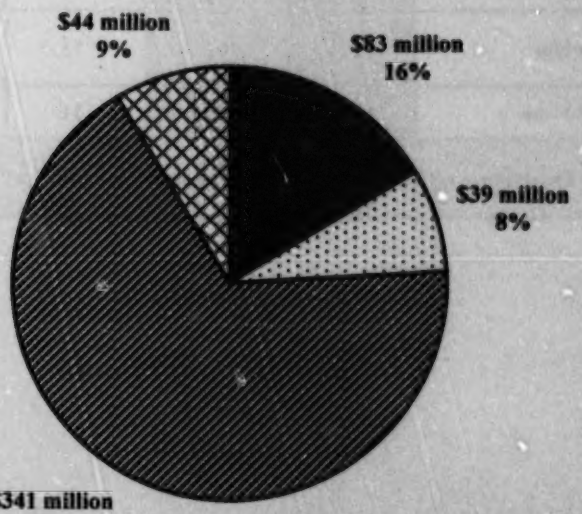
37. Results achieved with UNDP support included:

(a) 21 new laws and policies adopted and 42 laws and policies strengthened in 24 countries;
(b) more than 13,100 women benefiting from private and/or public measures to support preparedness for leadership and decision-making roles;
(c) 14 countries strengthening legal and policy frameworks to prevent and respond to sexual and gender-based violence;
(d) six additional countries with multi-sectoral services in place including justice and security services targeting sexual and gender-based violence;
(e) accelerated implementation of women's economic empowerment policies in 10 countries.

Outcome 5: Countries are able to reduce the likelihood of conflict and lower the risk of natural disasters, including from climate change.

	Strategic Plan output	Progress against milestones		Number of countries reporting	% countries with planned 2015 results which met/exceeded milestones	2015 Gender performance vs. overall performance
		2014	2015			
5.1	Mechanisms to assess natural and man-made risks	101%	103%	42	82%	Lower (96%)
5.2	Disaster and climate risk management	120%	107%	73	70%	Higher (127%)
5.3	Gender-responsive disaster and climate risk management	99%	109%	24	64%	Lower (102%)
5.4	Natural hazard preparedness	99%	103%	60	65%	n/a
5.5	Peaceful management of conflicts	162%	102%	25	89%	n/a
5.6	Consensus-building around contested priorities	100%	106%	26	100%	n/a
	Expenditure with gender equality as 'significant' or 'principal' objective: 28%					

Figure 7. Provisional programme expenditure, 2014-2015
$507 million (6% of total)
2014: $252 million 2015: $256 million



38. Performance against outcome 5 has been strong, with all outputs exceeding their 2015 milestones. Outputs 5.3 and 5.4 show notable improvement from 2014. Performance of gender indicators, however,

was lower than overall performance for two of three relevant outputs, especially output 5.1 where two countries underperformed in delivering risk-informed plans differentiating impact on men and women.

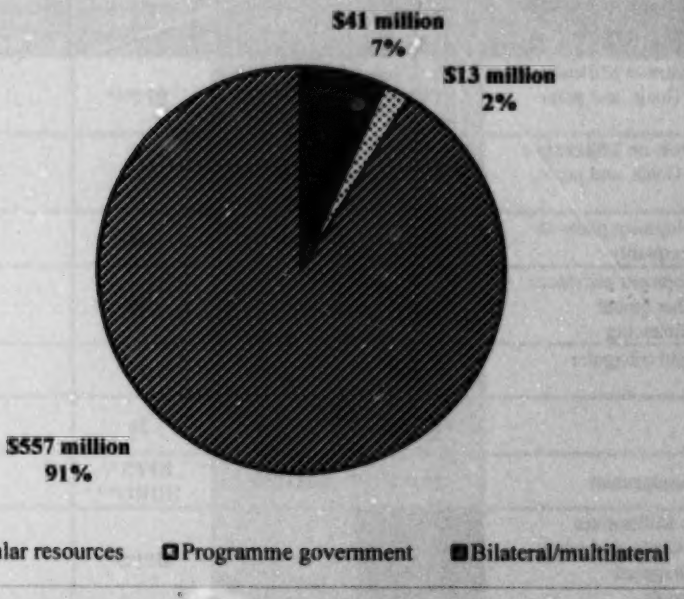
39. Total expenditure in 2014-2015 was $507 million, increasing by 1.6 per cent in 2015.

40. Results achieved with UNDP support included:
(a) 268 plans and programmes informed by multi-hazard national and subnational disaster and climate risk assessments developed in 30 countries;
(b) 79 new plans addressing disaster and/or climate risk management developed in 12 countries (59 gender-responsive);
(c) 35 countries with legislative/regulatory provisions at national/subnational levels for managing disaster and climate risks;
(d) 1,035 new disaster risk reduction and adaptation plans in place in 51 countries (274 gender-responsive);
(e) improved measures to deal with disasters through 189 new end-to-end early warning systems in 26 countries;
(f) 407 new preparedness plans developed in 28 countries.

Outcome 6: Early recovery and rapid return to sustainable development pathways are achieved in post-conflict and post-disaster settings.

Strategic Plan output		Progress against milestones		Number of countries reporting	% countries with planned 2015 results which met/exceeded milestones	2015 gender performance vs. overall performance
		2014	2015			
6.1	Early economic revitalization	139%	103%	29	60%	Higher (115%)
6.2	Capacities for early recovery	100%	109%	28	89%	n/a
6.3	Innovative partnerships	85%	103%	13	67%	n/a
6.4	Social cohesion and trust	152%	126%	21	100%	Lower (109%)
Expenditure with gender equality as 'significant' or 'principal' objective: 56%						

Figure 8. Provisional programme expenditure, 2014-2015
$612 million (7% of total)
2014: $281 million 2015: $331 million



41. Performance against outcome 6 has been strong, with all outputs exceeding their 2015 milestones, with significant improvement for output 6.3 (although it involves a small number of countries). Performance of gender indicators was lower for output 6.4, although still exceeding milestones, and higher for output 6.1, reflecting high performance on emergency jobs for women. Despite improvements, efforts need to be further strengthened in gender mainstreaming in early recovery and return to sustainable development.

42. Total expenditure in 2014-2015 was $612 million, rising by 18 per cent in 2015.

43. Results achieved with UNDP support included:

(a) more than 147,400 emergency jobs created;
(b) approximately 5,337,600 people benefiting from diversified livelihoods opportunities of which more than 2 million for women;
(c) 13 countries with improved capacities to lead and coordinate early recovery, including Ebola-affected countries, with nine of these also reporting strengthened financing or aid management mechanisms, including countries affected by the Syrian crisis;
(d) percentage of total resources mobilized for early recovery (against targets) rising to 18.7 per cent in 2015, from 11.2 per cent in 2013 and 15.1 per cent in 2014;
(e) 99 new partnerships on innovative solutions for early recovery in nine countries, including 22 with private sector.

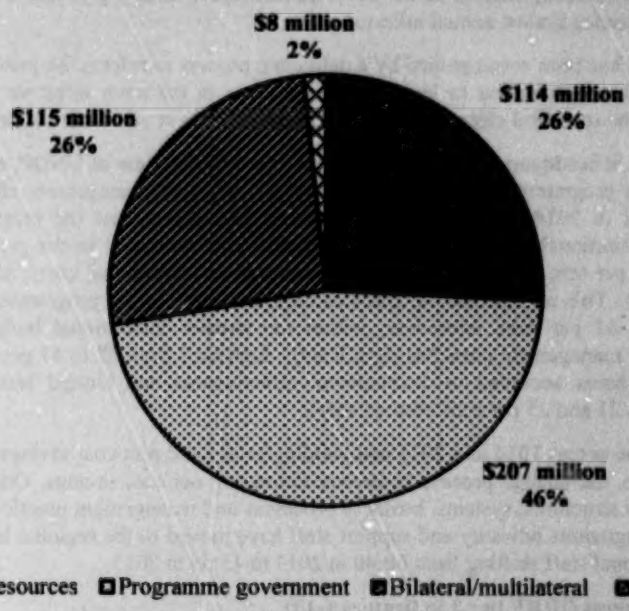
Outcome 7: Development debates and actions at all levels prioritize poverty, inequality and exclusion, consistent with our engagement principles.

	Strategic Plan output	Progress against milestones		Number of countries reporting	% countries with planned 2015 results which met/exceeded milestones	2015 gender performance vs. overall performance
		2014	2015			
7.1	Global consensus on Millennium Development Goals and post-2015 agenda	182%	107%	BPPS*	n/a	Lower (100%)
7.2	Monitor progress on Millennium Development Goals and post-2015 agenda	117%	133%	38	100%	Same
7.3	National development plans on poverty and inequality	145%	111%	41	81%	n/a
7.4	Official development assistance (ODA) and other global development financing	100%	94%	29	89%	n/a
7.5	South-South and triangular cooperation	113%	107%	27	79%	n/a
7.6	Innovation	133%	156%	26	80%	n/a
7.7	Knowledge management	101%	118%	BPPS*/ HDRO**	n/a	n/a
7.8	Bottlenecks to Millennium Development Goals and other internationally-agreed development goals		123%	BPPS*	n/a	n/a
	Expenditure with gender equality as 'significant' or 'principal' objective: 17%					

* Bureau for Policy and Programme Support

** Human Development Report Office

Figure 9. Provisional programme expenditure, 2014-2015
$443 million (5% of total)
2014: $215 million 2015: $228 million



44. Progress for outcome 7 has been good across almost all outputs, with a small decline in performance for output 7.4 and a substantial improvement for output 7.8. For output 7.1, performance met expectations on gender-related indicators while exceeding expectations for the other indicators. The majority of countries that planned to achieve results in 2015 met their milestones. The 'amber' rating for output 7.4 was due to two countries missing their milestones.

45. Total expenditure in 2014-2015 was $443 million, rising by 6 per cent in 2015.

46. Results achieved with UNDP support included:

(a) Millennium Development Goal Acceleration Frameworks underway in 53 countries;
(b) Millennium Development Goal monitoring reports published in 24 countries with focus on transitioning to Sustainable Development Goals;
(c) groundwork laid to help implement Sustainable Development Goals, including macroeconomic modelling, data gap analysis, design of social inclusion indicators, preparation of UNDP's 'offer';
(d) 21 countries using updated and disaggregated data to monitor progress on national development goals aligned with Agenda 2030;
(e) 22 countries reporting progress in effective development cooperation;
(f) 16 countries with more effective mechanisms in place to deliver, monitor, report on and/or verify use of ODA;
(g) 689 projects underway across 132 countries utilizing South-South and triangular cooperation, covering more than 15 per cent of all projects, up from 469 projects in 2014;
(h) over 16 per cent of country offices reporting in 2015 that South-South and triangular cooperation were utilizing knowledge brokering, capacity development and partnership facilitation;
(i) key Busan principles for effective development cooperation integrated into Sustainable Development Goal monitoring framework that will support country-led multi-stakeholder processes to measure effective development cooperation and partnerships.

C. In-depth profile of institutional performance

47. In response to Executive Board decision 2015/7, UNDP has introduced an institutional report card for the midterm review (Annex). Similar to the development report card, it provides a traffic light rating for institutional performance against annual milestones.

48. The Strategic Plan has been accompanied by a deliberate process to reform the institutional backbone of UNDP and allow the organization to leverage its resources in the most effective and cost-efficient manner. At midpoint, the structural change process has started to deliver significant returns (Annex).

49. Structural changes at headquarters have improved the cost-effectiveness of UNDP, ensuring that more resources are spent on programmes. The 2017 target of 8.1 per cent management efficiency ratio has already been achieved in 2014-2015. The budget review has shown that the proportion of regular resources spent on institutional costs has decreased significantly compared to the preceding biennium. During 2012-2013, 42 per cent of regular resources were spent on institutional costs, compared to 38 per cent during 2014-2015. This means that the share of regular resources for programmatic activities has increased from 58 to 62 per cent. Moreover, within the smaller institutional budget envelope, the proportion taken up by management costs has significantly decreased from 62 to 49 per cent over the two bienniums, with the shares accorded to development effectiveness and United Nations coordination activities increasing (to 21 and 25 per cent, respectively).

50. Costing $35 million across 2014 and 2015 and yielding salary and rent cost savings of approximately $33 million per annum, the change process is already delivering net cost savings. Ongoing savings are expected to rise as new structures, systems, business processes and management practices take root in the organization. More programme advisory and support staff have moved to the regional level with the ratio of headquarters to regional staff shifting from 60:40 in 2013 to 45:55 in 2015.

Development effectiveness (IRRF tier 3 indicators 1-13)

51. Policy development and technical advisory services have now been integrated into one bureau which can deploy multidisciplinary development solutions teams. A Development Impact Group has been established to work on programme and development effectiveness, with an increased focus on quality assurance, results-based management and improving data analysis capacities. A global service planning and management tool has been integrated in the corporate planning system, improving capacities to manage, cost and develop services. While resource constraints have meant that not all positions in regional hubs are filled, midterm reviews of regional programmes found that direct support to country offices has improved significantly and raised the profile of regional hubs.

52. Following a concerted training effort covering the majority of country offices, thematic, design and operational alignment standards have been institutionalized through programme and project quality standards that became mandatory in 2016. Internal reviews show that 71 per cent of new country programme documents (out of 30) met the enhanced quality standards upon first submission in 2015. Over 500 projects (8.5 per cent of the total) were also rated by 70 country offices in a pilot phase. The findings were encouraging, with 60 per cent of new projects (in the design phase) already meeting the new, more ambitious, standards. Among projects in the closing phase (carried over from the previous Strategic Plan) only 29 per cent met the standards.

53. Furthermore, the UNDP Social and Environmental Standards, introduced in 2015, have become an integral component of quality programming and risk management. The standards are underpinned by an accountability mechanism, with compliance and grievance functions. UNDP expects the standards to further enhance programme performance and will monitor their impact on development results going forward.

54. The 2015 performance audit of results-based management, with a satisfactory rating, confirms the extent of the progress made to date. By 2015, 64 per cent of country offices had met the internal standard of spending 1-3 per cent of their programme budget on M&E; 56 per cent had one or more M&E specialists, bringing total capacity to 12 dedicated staff in regional hubs and 127 full-time equivalent

M&E specialists in country offices; 84 per cent of country offices reported taking measures to improve their data collection and monitoring capacity; 59 per cent had invested in improving the quality of their decentralized evaluations; and in 56 per cent of countries where UNDP has a presence, there had been collaboration with partners to strengthen national statistical systems.

Management functions (IRRF tier 3 indicators 14-33)

55. UNDP has launched a new Bureau for Management Services with a simplified structure and a stronger focus on client-oriented service delivery and integrated services. Two global shared service centres have been integrated into a unified unit which handles finance functions beyond the International Public Sector Accounting Standards (IPSAS), raising cost-effectiveness and offering a platform for further clustering of country office functions. At the same time, the quality of financial data has improved, with 78 per cent of operating units compliant with international standards, up from 60 per cent in 2014.

56. While the 2014 Global Staff Survey indicated high levels of staff engagement at 71 per cent, follow-up actions are underway in 31 country offices and headquarters units where staff ratings were not satisfactory. A related positive development has been the attainment of the 2017 target for female staff (50 per cent) two years ahead of schedule. Slower progress at P4 level and above, however, points to scope for further work.

Partnerships (IRRF tier 3 indicators 34-38)

57. The Global Campaign for Aid Transparency has recognized UNDP as the most transparent development agency in the world, ranking it first for the last two years. UNDP has continued to pursue even greater transparency with 82 per cent of country offices complying with the internal transparency standard compared to 60 per cent in 2014, and publishing results from more than 1,800 projects for the first time in 2015.

Coordination (IRRF tier 3 indicators 41-48)

58. In response to the QCPR, UNDP developed an implementation plan to translate QCPR mandates into clear and measurable actions. As of December 2015, 72 per cent of planned actions had been achieved and 28 per cent were in progress (Annex).

59. The application of standard operating procedures now covers 55 per cent of country offices, with common services in place in 90 per cent of offices. Collaboration, however, decreases in the areas of harmonized or common approaches to procurement, human resources and financial management, at 38, 28 and 21 per cent of country offices, respectively.

Funding

60. Overall contributions received during 2014-2015 were 94.5 per cent of the target set in 2013 or $9 billion versus $9.5 billion. Regular resources, however, met only 85.5 per cent of the target, at $1.5 billion versus $1.75 billion, falling at an annual rate of 11.3 per cent during 2013-2015.

61. Compared to 2014, total contributions for 2015 fell by 4.3 per cent; regular resources by 11.2 per cent, other resources by 2.8 per cent, of which third-party cost-sharing (non-programme government and non-government partners) by 3.2 per cent, and programme government cost-sharing by 1.4 per cent.

62. Total provisional expenditure for development activities was $8.88 billion in 2014-2015, of which $1.05 billion was funded from regular resources and $7.83 billion from other resources. Total expenditures on United Nations coordination, management and special-purpose categories were $200 million, $820 million and $170 million, respectively, over the same period.

63. UNDP has continued to prioritize core programme resources to low-income countries (LICs) and least developed countries (LDCs). In 2014-2015, UNDP allocated on average 88 per cent of its core programme resources to LICs and 71 per cent to LDCs. For every $1 of core invested in LDCs and LICs, UNDP was able to leverage $3 and $5, respectively. It is also noteworthy that although only 11 per cent of UNDP's core programme resources went to middle-income countries (MICs), for every $1 of core resources invested in MICs, UNDP leveraged another $24.

64. UNDP has responded to these challenges by pursuing more flexible and predictable funding for achievement of the Strategic Plan, with the aim of reversing the decrease in regular resources, increasing the quality of other resources and diversifying the resource base among and beyond governments. To this end, a Resource Mobilization Action Plan adopted in early 2015 has facilitated a more focused and coordinated resource mobilization effort across the organization. The plan has led to more targeted engagements with partners (e.g., eight Member States increased their contributions to regular resources, 29 maintained the same level and 14 decreased their contributions), an increase in funding from vertical funds (22 per cent increase in 2015 over 2014), the establishment of new funding windows and concrete investments in diversifying the UNDP funding base, e.g., launch of the 'Digital Good' platform.

65. Despite launching the '100 Partners Campaign' and concerted engagement with Member States, the number of contributions to regular resources declined, however, from 56 to 51 between 2014 and 2015. The strength of the United States dollar against other major currencies continued to have negative effects on regular resources as well, with $95 million in exchange rate losses from 2014 to 2015.

III. Understanding performance: explanatory factors and relationships

66. Lessons highlighted in the midterm review are based on analysis drawn from a range of internal and external studies, including analysis of IRRF performance data, independent evaluations, consultancies and results-oriented annual reporting. In addition, UNDP has, for the first time, conducted statistical analysis to isolate factors correlated with development performance, referred to as the Performance Factors Analysis (PFA). The PFA uses output indicator achievements against 2015 cumulative milestones as a dependent variable and internal and external data as independent variables. While the PFA draws on well-established statistical methods, the associated findings should be treated as indicative rather than conclusive.

67. **High performance in the context of the Sustainable Development Goals will require a much better understanding of connections: the 'integration', 'multiplier' and 'acceleration' effects identified in UNDP's offer.** To this end, UNDP is committed to further improving its understanding of what drives and hinders its development performance and to continuously testing and refining the theories of change that underpin its work. In particular, this will require:

(a) further sharpening programmatic focus on the poor and excluded;
(b) firmly embedding the concept of 'risk governance' at the core of work on resilience-building;
(c) forging stronger links between humanitarian, peace and security and development interventions;
(d) focusing on social and economic inclusion as a vital concern.

68. **'Focus' as a factor in performance is important, but depends on strategic logic rather than simply the number and size of projects.** Assessments of development results (ADRs) undertaken in 2014-2015 found a credible link between low performance and 'fragmented portfolios', especially when driven by pressures for resource mobilization. The PFA, however, found that performance under outcomes 1 and 3, in particular, is significantly higher for country offices supporting a broader range of interventions, suggesting the interdependent nature of work on employment, livelihoods, climate change, natural resources management, democratic governance and basic services. Several country offices and evaluations have also underscored the value of using issues-based (multi-sectoral) approaches and linking upstream with downstream initiatives.

69. **The value added by regional and global programmes – where articulated clearly– is critical for country-level performance** (Annex). The midterm reviews of the global and regional programmes confirmed that cross-border and multi-country approaches can contribute through:

(a) advocacy, networking and consensus-building that advance views and offer policy advice focused on the UNDP mission;
(b) advancing emerging issues such as urbanization, social protection and inclusion, citizen security, violent extremism and risk governance;
(c) introducing new forms of analysis and policy planning as well as associated tools;

(d) expanding access to knowledge and information, through portals that bring together region-specific analysis on issues such as gender equality, as well as open data initiatives;
(e) building partnerships, especially with the private sector and civil society;
(f) triggering programmatic innovation and experience-sharing.

70. Significant cuts to these programming instruments, however, have left their full performance-enhancing potential unfulfilled at midpoint.

71. **The ever closer interplay of risk and development calls for the integral treatment of risks within development planning, management, monitoring and evaluation.** As a result, in addition to the relevance of the UNDP offer to country needs, the organization's ability to adapt its offer to changing circumstances is crucial for performance.

72. Following the audit of its enterprise risk management (ERM) system in 2014, UNDP has invested significant resources in upgrading its capacities to assess, monitor and respond to programmatic and operational risks. A strengthened ERM policy has been issued, tools for assessing and recording risks have been upgraded and built into the corporate planning system, and training and awareness-raising programmes are being rolled out. Data show an increasing awareness across the organization of risk management: risk entries recorded by country offices and headquarters increased from 179 in 2012 to 895 in 2015.

73. **Quality standards tailored to the specific requirements of the Strategic Plan appear to have made a difference to performance.** The bivariate analysis of the PFA identified several performance factors correlated with higher performance, notably alignment with the new thematic, design and operational standards, spending a higher proportion of programme resources within the Strategic Plan outcomes that the country programme is linked to, country offices meeting the M&E staffing benchmarks, and targeting of Strategic Plan priority groups, particularly for outcome 1.

74. Decentralized evaluations reinforce these findings by stressing the importance of design, planning and results-based management in 70 per cent of cases in 2015, compared to 50 per cent in 2014. Country offices make the same case in their 2015 results-oriented annual reports (ROARs), with 68 per cent citing these considerations as key performance-related lessons learned. Several evaluations also emphasize the importance of contingency planning for potential risks, and realism in terms of time and resources. This is confirmed by country offices in their 2015 ROARs.

75. **Strong national ownership, not surprisingly, remains a key driver of performance for this Strategic Plan.** Around 40 per cent of decentralized evaluations in 2014-2015 note the importance of national ownership and capacity, including linking projects with a country's policy and institutional framework. These issues were also highlighted by 62 per cent of country offices in their 2015 ROARs. Another aspect of ownership that ADRs, in particular, stress and which could impact performance over the medium term is better planning for sustainability and articulation of exit strategies. In this regard, of the 57 per cent of projects that were rated on sustainability by decentralized evaluations in 2014-2015, about three quarters were seen as somewhat sustainable, sustainable or highly sustainable.

76. **Building strategic partnerships into programmes seems to contribute to better performance.** The PFA, for example, points to the performance-enhancing potential of South-South cooperation: the number of such initiatives being pursued by country offices was found to be positively correlated with higher output level performance. Consistent with this finding, several ADRs conducted during 2014-2015 confirm the positive contributions made through South-South cooperation while noting the importance of a strategic and systematic approach, as proposed by the draft corporate strategy.

77. More broadly, one quarter of decentralized evaluations from 2014-2015 emphasize the significance of stakeholder inclusion, relationship management and partnerships throughout the project cycle. This is well understood by country offices, with a majority of 2015 ROARs underlining the importance of establishing and maintaining relationships with partners and stakeholders, particularly early engagement in programme and project cycles to share a common vision and define clear roles and responsibilities among stakeholders in order to deliver better results. Worth noting is the increasing emphasis on bringing the

private sector into development processes, with country offices indicating a broader scope of collaboration on issues ranging from flood recovery to energy efficiency and women's economic empowerment.

78. **Investing in a strong institutional backbone is essential for higher development performance.** Offices that manage their resources well, when backed by better corporate support, can achieve higher development results. The PFA confirmed that a higher expenditure-to-budget ratio was associated with higher performance, emphasizing the value of proper project planning, budgeting and expenditure management. It also found that the quality of financial management is correlated positively with better development performance. Consistent with this finding, 65 per cent of country offices also noted in their 2015 ROARs that better management of financial and human resources was key to improved performance. Furthermore, significant percentages of country offices note the positive contributions to performance of improved staff capacities (76 per cent), UNDP business processes that support implementation (71 per cent), the quality of consultants (58 per cent) and internal reorganization of the office (50 per cent). Country offices also cite the new regional hubs as being more likely to offer better support, faster response to crises and rapid decision-making for achievement of results.

79. **Innovations supported by UNDP clearly respond to the needs of partners, but it is still too early to establish linkages to higher performance.** . Innovation across the UNDP portfolio shows early results from all regions, covering 73 countries. Efforts include: government innovation labs to engage citizens in policy and service design and delivery; exploration of emerging and alternative sources of financing, such as crowdfunding and impact investing; use of challenge prizes to source new solutions and of behavioural insights to improve policy formulation and testing; use of new sources of data to develop cost-effective poverty measurements (e.g., analysis of satellite images, electricity consumption and cell-phone usage); and analysis of big data for emergency services response. Internal assessments show that about 65 per cent of initiatives funded in 2014 led to an uptake of concepts by government, the private sector and/or UNDP itself. Three quarters of countries benefiting from the Innovation Facility in 2014-2015 made follow-on investments.

IV. The way forward

80. **UNDP has made solid progress in delivering on its commitments in the Strategic Plan and will work to maintain a high level of performance in 2016-2017.**

81. While the picture presented at midpoint increasingly reflects what is happening on the ground, UNDP will need to continue to improve how it captures, interprets, presents and acts on its performance data. For example, aggregate output performance measures can obscure areas of potential concern or interest. Similarly, high performance in an output area driven by a few overachievers can hide significant numbers of countries with slower levels of progress. The years ahead will require continuous investments in anchoring a real performance culture across the organization where insights into performance – whether high or low – are seen as drivers of smart management decisions.

82. **The Strategic Plan's vision to help eradicate poverty and reduce inequalities and exclusion in programme countries remains as valid today as when Member States adopted the Plan in late 2013.** While a significant thematic shift in the Strategic Plan will not be necessary at this time, UNDP will need to focus on better understanding the implications of newly emerging and changing development dynamics, such as the unprecedented wave of urbanization, major demographic shifts and the increasingly protracted nature of crises.

83. While gender-sensitive programming has improved through better targeting, **UNDP will continue to shift towards more gender-transformative interventions** to ensure that women are not just beneficiaries, but agents of change. To this end, UNDP has developed a gender analysis tool to be applied to all programmes and projects as part of the corporate quality assurance procedure.

84. **Committed to further bolstering its institutional performance, UNDP will implement a substantial agenda of work in 2016-2017**:

(a) implement more robust planning and budgeting processes to improve the organization's ability to link results to resources and raise performance;

(b) expand partnerships, especially through South-South and triangular cooperation and with the private sector;

(c) maintain the focus on alignment, particularly of programme and project quality, risk management, management flexibility in response to uncertainty and portfolio management for issues-based approaches to results;

(d) optimize the added value of the regional and global programmes through better performance management;

(e) strengthen results-based management, looking carefully at how UNDP measures results so that insights can be gained and applied for strategic and operational management at a direct and indirect cost that makes sense.

85. Financing the Sustainable Development Goals will require significant new resources. Guided by the agreements set out in the Addis Ababa Action Agenda, UNDP will continue to make every effort to broaden its funding base and improve the quality of resources it leverages in support of partner countries' Sustainable Development Goal priorities.

86. **Declining regular resources will, however, pose a key challenge**, constraining the ability of UNDP to ensure global development effectiveness as well as make forward-looking and strategic choices and investments. If regular resources continue to decrease at the current rate, it will not be possible for UNDP to maintain the protections for the programme budget that are in place now. Reduced support for development effectiveness and management could also accentuate organizational risks due to adverse effects on institutional capacity for quality assurance, monitoring, accountability and oversight.

87. **The next two years will also be used to prepare a strong, new Strategic Plan that leverages the greatest possible contribution from UNDP to the 2030 Agenda and the Sustainable Development Goals while improving organizational preparedness.** In the meantime, UNDP will follow through on the offer made to Member States at its Fiftieth Anniversary Ministerial Meeting, built around coherence, linkages, expertise, access and reporting ('CLEAR', see Annex), within the mainstreaming, acceleration, and policy support ('MAPS') approach that has been endorsed by the United Nations Development Group. UNDP will also make some adjustments to its IRRF, especially outcome and impact indicators, to reflect the monitoring framework for the Sustainable Development Goals (Annex) and monitor evolving demand through new country programme documents.

88. The year 2016 promises to be yet another significant year as Member States consider transformative measures to ensure that the United Nations development system can effectively support the 2030 Agenda and the Sustainable Development Goals. UNDP will be guided by the decisions taken in this regard through the next QCPR. The experience of UNDP as manager of the resident coordinator system suggests that an outcome that reduces institutional fragmentation, focuses on delivering development results for programme countries and curtails transaction costs is likely to yield the highest returns.

89. The Sustainable Development Goals call on the international community to go above and beyond its current efforts and capacities. UNDP is strongly committed to achieving the organizational excellence required for making these Goals a reality.

United Nations DP/2016/10

Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services

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Item 3 of the provisional agenda
Financial, budgetary and administrative matters

Midterm review of the integrated budget, 2014-2017

Report of the Administrator

Executive summary

In its decision 2013/28, the Executive Board approved the UNDP integrated budget for 2014-2017, which is an integral complement to the Strategic Plan, 2014-2017. The Board's approval covered the regular resources portion of the UNDP integrated resource plan, including programmatic and institutional activities. The Board also took note of the other resources portion of the integrated resources plan. The decision also called for a midterm review of the 2014-2017 integrated budget to take place in conjunction with the midterm review of the Strategic Plan (DP/2016/9) at the 2016 annual session of the Executive Board.

The present report presents the midterm review of the institutional component of the integrated budget, 2014-2017.

Elements of a decision

The Executive Board may wish to:

(a) take note of the midterm review of the institutional component of the integrated budget, 2014-2017;

(b) recall Executive Board decision 2015/16 which emphasized that regular resources are the bedrock of UNDP and essential to maintaining the multilateral, neutral and universal nature of its mandate and to carry out its work, and in this regard, encourage UNDP to further mobilize these resources while continuing to mobilize other resources to respond to the needs of all programme countries, particularly the poorest and most vulnerable;

(c) recall Executive Board decision 2013/28 in which the Board approved appropriations from regular resources for the institutional component of the integrated budget, 2014-2017, which included transitionary measures discussed in document DP/2013/41;

(d) acknowledge progress made by UNDP in cost alignment through implementation of the cost-recovery policy, note that UNDP should make further progress and encourage UNDP partners to adhere to the aspects of the cost-recovery policy approved by the Executive Board in decision 2013/9;

(e) request UNDP to incorporate lessons learned from the integrated budget, 2014-2017, in the preparation of the integrated budget for 2018-2021.

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I. Context

1. In its decision 2013/28, the Executive Board approved the UNDP integrated budget for 2014-2017, which is an integral complement to the Strategic Plan, 2014-2017. The Board approved the regular resources portion of the UNDP integrated resource plan, including programmatic and institutional activities, and took note of the other resources portion of the integrated resources plan, which covers resources from bilateral and multilateral partners and programme country government partners, including growth in programme country government contributions in regions where non-core financing previously came predominantly from bilateral and multilateral partners. The decision also called for a midterm review of the 2014-2017 integrated budget, in conjunction with the midterm review of the Strategic Plan (DP/2016/9), at the 2016 annual session of the Executive Board.

2. The UNDP integrated budget acknowledges the synergies and linkages between development and institutional results at country, regional and global levels. It also acknowledges the associated resource requirements, as its underlying financial framework, approved by the Executive Board, is premised on a certain level of regular resources. It recognizes that institutional activities and their funding are essential strategic enablers for the achievement of development results. Hence, regular resources funding of these institutional activities is an essential element of the integrated budget and for delivering on the Strategic Plan and related Integrated Results and Resources Framework.

3. It is recalled that the objectives of a single and integrated budget that includes all budgetary categories are:

(a) improving the results focus and enhancing linkages with the Strategic Plan results;
(b) deliberately reducing the proportion of regular resources allocated to the institutional component of the integrated budget, in favour of the programmatic component;
(c) rebalancing the resources within the institutional budget component, by decreasing the proportion allocated to management and increasing the proportion allocated to development effectiveness;
(d) maintaining the core support for the coordination function.

4. Achievement of the above-stated objectives is premised on the following three pillars on which the integrated budget is based:

(a) achieving synergies by integrating programmatic and institutional budget components;
(b) leveraging the new cost classification, to respond to the quadrennial comprehensive policy review of United Nations operational activities for development and to further enhance the transparent and efficient usage of resources;
(c) improving cost alignment through more rigorous and targeted implementation of the cost-recovery policy.

5. In this context, the present report presents a midterm review of the 2014-2017 integrated budget, including the progress towards the achievement of the above-stated objectives of the integrated budget, as well as the potential opportunities and challenges which UNDP may face in 2016-2017 in achieving these objectives.

II. Update on 2014-2015 performance

Overall performance

6. The period 2014-2015 was unique from multiple perspectives. It was the first biennium of the implementation of the UNDP Strategic Plan, 2014-2017, underpinned by the integrated resources plan encompassing the integrated budget. It was also the start of the implementation of the cost-recovery policy approved by the Executive Board in decision 2013/9. The structural change implemented within UNDP also continued during this period.

7. Overall, progress towards the achievement of the objectives of the integrated budget for 2014-2017 has been in the right direction at the strategic level[1] as illustrated in the table below, noting: (a) the reduction in the proportion of regular resources allocated to the institutional component of the integrated budget in favour of the programmatic component; (b) the rebalancing of resources within the institutional component of the integrated budget by decreasing the proportion allocated to management and increasing the proportion allocated to development effectiveness activities; and (c) maintenance of core support for the backbone of United Nations development coordination activities. Achievement of these objectives leveraged the pillars on which the integrated budget was based, in particular synergies from integrating programmatic and institutional budget components, and leveraging the harmonized cost classification categories for enhanced transparency and improved cost alignment.

Regular resources	**2012-2013 Actuals***			**2014-2015 Actuals***	
	% of total	Amount (in millions of United States dollars)		% of total	Amount (in millions of United States dollars)
Programmatic	58%	$1,058		62%	$958
Institutional	42%	$757		38%	$586
Total	**100%**	**$1,815**		**100%**	**$1,544**

Institutional					
Development effectiveness	17%	$128		21%	$119
United Nations coordination	17%	$129		25%	$149
Management	62%	$472		49%	$289**
Special purpose	4%	$28		5%	$29
Total	**100%**	**$757**		**100%**	**$586**

* All references to 2012, 2013 and 2014 are from audited financial statements; and 2015 actuals are from 2015 unaudited financial statements.

** Management expenditure of $289 million includes transitionary measures of $132 million, as explained in paragraph 13 below.

8. With respect to improved cost alignment, progress towards the implementation of the cost-recovery policy across its different aspects has been mixed, with good progress in the implementation of the 8 per cent cost-recovery rate for new third-party contributions, noting that the cost-recovery policy has varied general management support (GMS) rates for different funding instruments. Recognizing the progress made, some further improvements are needed with respect to the compliance with the 8 per cent cost-recovery rate and direct project charging of eligible programmatic and development effectiveness costs at project and programme levels. Details of the progress in the implementation of the cost-recovery policy are outlined further in the discussion below on cost alignment through improved cost recovery.

9. During 2014-2015, significantly reduced contributions to regular resources, exacerbated by the strengthening of the United States dollar, resulted in reduced totals of regular resources, which declined from $896 million in 2013 to $793 million in 2014 and $704 million in 2015. In the context of General Assembly resolution 67/226 on the quadrennial comprehensive policy review, which stressed that regular resources, because of their untied nature, continue to be the bedrock of the operational activities for the development of the United Nations system, and

[1] Overall performance related to improving the results focus is elaborated upon in the midterm review of the UNDP Strategic Plan (DP/2016/9).

relevant Executive Board decisions, including decision 2013/28 on the UNDP integrated budget, UNDP will continue its efforts, with the support of all countries in a position to do so, to mobilize increased contributions to regular resources. As in the past, reductions in regular resources were applied proportionally to the programmatic and institutional components. The financial impact of reduced levels of regular resources in 2014-2015 is described below:

(a) Impact on the programmatic component: TRAC-1, TRAC-3, Programme support to resident coordination activities, the South-South Cooperation Programme and the Human Development Report Office were not impacted by the reduced level of regular resources as they are protected by decision 2013/28. Thus, the amounts of regular resources channeled to programme countries through TRAC-1 and TRAC-3 were maintained. However, protecting these programmatic lines resulted in a sharp reductions to TRAC-2, Regional Programme, Global Programme, the Programme of Assistance to the Palestinian People, Development Support Services, Economists' Programme, Policy Advisory Services, gender mainstreaming and the United Nations Capital Development Fund, as these are not protected. The midterm review of the Strategic Plan discusses the important role of development effectiveness activities with respect to programme quality;

(b) Impact on the institutional component: As a reprioritization, in line with a deliberate decision of UNDP management, resource allocation levels within the institutional component of the integrated budget for United Nations coordination activities have been protected in line with the objectives of the integrated budget, due to the importance of UNDP stewardship of the resident coordinator function. Resource allocation levels for oversight functions (i.e., Office of Audit and Investigations, Independent Evaluation Office, Ethics Office) faced relatively lower reductions, in line with reduction levels presented in the approved integrated budget document (DP/2013/41) of 4 per cent per year. The institutional budget of the United Nations Office for South-South Cooperation was also protected. As a consequence, the institutional budget for all other areas, in particular management activities, was significantly reduced.

10. The 2014-2015 financial performance discussed in paragraphs 6-9 above has been reflected in the tables presented in annex 1, which compare the original 2014-2017 planning estimates from the approved integrated budget document (DP/2013/41) with updated estimates, taking into account audited actual figures for 2014, unaudited actual figures for 2015 and estimates for 2016-2017 per the integrated resources plan in document DP/2013/41. The integrated resources plan table in annex 1 includes overall actual contributions of $9.0 billion in 2014-2015 ($9.3 billion in 2012-2013). This comprises $1.5 billion in regular resources ($1.74 billion in 2012-2013), $5.8 billion in other resource contributions from bilateral/multilateral partners ($5.6 billion in 2012-2013) and $1.7 billion from programme country government partners ($2.0 billion in 2012-2013). While in aggregate, non-core resource contributions from bilateral/multilateral and programme country partners received of $7.5 billion in 2014-2015 were close to planning estimates in DP/2013/41 of $7.75 billion, contribution levels between and within regions have been varied. The tables show that notwithstanding the overall reductions in core resources during the period 2014-2015, progress towards achieving the key objectives of the integrated budget has been in the right direction, noting the proportion of resources across the harmonized cost-classification categories remaining broadly in line with the 2014-2017 planning parameters.

Cost alignment through improved cost recovery

11. As mentioned in paragraph 6 above, the period 2014-2015 was the start of the implementation of the cost-recovery policy approved by the Executive Board in decision 2013/9. The decision also called for an independent and external assessment, to take place in 2016, of the consistency and alignment of the cost-recovery methodology with General Assembly resolution 67/226. UNDP will report on this assessment, together with UNFPA, the United Nations Children's Fund (UNICEF) and the United Nations Entity for Gender Equality and the Empowerment of Women at the 2016 second regular sessions of the respective Executive Boards. This assessment will also cover matters common to all agencies such as introduction of volume discount on GMS rates.

12. Executive Board decision 2013/9 recognized that full cost recovery, proportionally from regular and other resources, would lead to fewer resources being drawn from regular resources to finance the management costs of contributions to other resources, and a larger share of regular resources being allocated to programme activities, thereby providing incentives for contributions to regular resources. With respect to improved cost alignment and an environment of lower regular resources, there is a need to reflect on the relevance of the varied GMS rates for different funding instruments.

13. It is recalled that in approving the 2014-2017 integrated budget, the Executive Board approved transitionary measures of $132 million for 2014-2015, i.e., measures funded by regular resources that were required due to the transition time needed before the new cost-recovery policy was in full effect, in particular the phasing out of the legacy cost-recovery rates of less than 8 per cent for third-party contributions, and full implementation of direct project charging of eligible development effectiveness activities.

14. In 2014-2015, progress was mixed towards the implementation across different aspects of the cost-recovery policy. Good progress was achieved in the implementation of the 8 per cent rate for new third-party contributions, and there was some progress in direct project charging of development effectiveness costs at 'project level' and 'programme level'. However, further improvements are needed with respect to further compliance with the 8 per cent cost-recovery rate and direct project charging of development effectiveness costs at project and programme levels.

15. GMS cost-recovery income. Actual GMS cost-recovery income in the period 2014-2015 was $450 million (with an effective average GMS rate of 6.8 per cent achieved on bilateral third-party contributions in 2015[2]). Planning assumption for implementing GMS cost-recovery rate of 8 per cent was that 50 per cent of the agreements would be in compliance with this policy by the end of 2015. However, UNDP exceeded that initially envisaged level by achieving 76 per cent rate of the compliance by the end of 2015. The remaining 24 per cent of agreements relate primarily to extensions of ongoing projects with legacy cost-recovery rates (below 8 per cent), as well as the impact of waivers (see annex 2 for an overview of waivers granted in 2014-2015) to the 8 per cent cost-recovery policy. Nevertheless, if the 8 per cent GMS cost-recovery rate had been in effect for all third-party contributions in 2014-2015, an additional amount of $42 million would have been earned as GMS cost-recovery income.

16. Direct project charging of development effectiveness costs. In 2014-2015, $151 million of cost-recovery income was used for development effectiveness activities, compared to the estimate of $122 million in the integrated budget. Further improvements are needed and planned in implementing the direct project charging of development effectiveness costs, with the support of the funding partners.

17. Noting that more progress was needed in 2014-2015 regarding improved cost alignment through GMS cost recovery and direct project charging, the transitionary measures referred to in paragraph 13 were used to fund institutional activities in 2014-2015.

Government contributions towards local office costs

18. Government contributions towards local office costs (GLOC) comprise direct cash payments, accounting linkage with voluntary contributions and in-kind contributions. In 2014-2015, UNDP achieved an average of 64 per cent recovery on GLOC cash targets. This represented an improvement over the levels of GLOC cash received in prior years ($58 million in 2014-2015 compared to $45 million in 2012-2013).

[2] Effective GMS cost-recovery rates on all sources of funding are reported annually, for 2014 in annex 2 of the annual report of the Administrator and for 2015, in the annex to the midterm review of the Strategic Plan containing the Integrated Results and Resources Framework methodology and 2015 results.

Measures taken in 2014-2015

19. As mentioned above, UNDP was faced with the implications of the significantly reduced levels of regular resources during 2014-2015. This impact was exacerbated by the strengthening of the United States dollar. UNDP managed this situation by making adjustments in its spending levels and organizational structure. The midterm review of the Strategic Plan discusses organizational performance, including gains achieved by the structural change process, including by strengthening of regional hubs to bring support closer to country.

20. Despite the drop in regular resources income, UNDP ensured that the regular resources channeled to programme countries through TRAC-1 and TRAC-3 were maintained. However, this adversely impacted the availability of complementary support, provided through regional and global programmes, and through development effectiveness and management services (management ratio was contained to 8.1 per cent).

Regular resources expenditures for security measures

21. In its decision 2013/28 on the UNDP integrated budget, the Executive Board decided, "in continuance of existing arrangements, to grant the Administrator with exceptional authority, during 2014-2017, in addition to the approved appropriation from regular resources for the institutional component of the integrated budget of $1,510.4 million, to access up to $30 million in regular resources for security measures." During 2014-2015, $5 million was drawn to respond to the outbreak of Ebola virus disease in West Africa. This was reported to the President of the Executive Board and disclosed in the annual review of the financial situation, and is shown in annex 1, table 1.

III. Outlook for 2016-2017

22. It is recalled that the integrated resources plan within the 2014-2017 integrated budget incorporated 2016-2017 estimates with: (a) further reductions in the planned usage of regular resources for management activities as compared to 2014-2015 estimates; (b) gradual phasing out of transitionary measures in conjunction with further improvement called for in cost alignment through enhanced cost recovery; and (c) funding of differentiated physical presence in line with decision 2013/30, noting that the end of the two-year grace period starts in 2016 and applies to 14 high-middle-income countries (per table 2 of DP/2013/45).

23. In 2016-2017, contributions to regular resources will continue to play a pivotal role in meeting the objectives of the Strategic Plan, including through the availability of the essential core institutional funding to deliver on the Strategic Plan, in an accountable and effective manner. UNDP, with the support of Member States and other funding partners, will continue to strive to achieve the approved level of regular resources for 2016-2017, in line with the financial framework approved by the Executive Board. Further, the approved transitionary measures amounting to $66 million will be required in 2016-2017, until the measures required by decision 2013/9 have been fully implemented (i.e., 8 per cent rate for third-party cost-sharing contributions, and direct charging of eligible development effectiveness costs to programme resources). This is particularly important as reduced levels of regular resources would result in continued pro-rata reductions of both the programmatic and institutional components of the integrated budget.

24. UNDP will also continue to take measures to reduce the impact of any potential adverse change in resource levels, to ensure that it delivers on the Strategic Plan, 2014-2017 and is well positioned to play a vital role in the implementation of 2030 Agenda for Sustainable Development. This would include initiatives such as: (a) advocating for a reversal in the negative trend in regular resources with the '100 partners' campaign, including by diversifying the funding base among and beyond governments; (b) enhancing the UNDP organizational planning processes, to increase effectiveness and efficiencies; (c) leveraging the introduction of new funding windows for lesser-earmarked resources; and (d) adjustments to spending levels in line with prior practice to remain within Executive Board-mandated liquidity parameters (i.e., above

three months core liquidity levels). Additional measures with respect to cost alignment, GLOC collection and support to United Nations coordination are outlined below.

25. Increasing cost alignment through enhanced cost recovery. To make further progress towards the full implementation of the cost-recovery policy with the support of UNDP funding partners, compliance with the 8 per cent rate for third-party contributions will be monitored rigorously. Furthermore, recognizing the need to accelerate efforts to plan for and implement the direct project charging of eligible programmatic and development effectiveness costs, internal targets have been set. Progress against these targets will be monitored through a robust performance measurement system.

26. Improving GLOC collection. UNDP appreciates improvements made by programme countries in respect of the support which they provide through government contributions towards local office costs. There is room for improvement in GLOC collection, however. With the vital support of programme country governments and by introducing the right incentives, UNDP aims to improve GLOC collection in the period 2016-2017.

27. Support to United Nations coordination activities. As in the past, UNDP will continue its strong support for the United Nations coordination function by performing its stewardship role in this regard.

IV. Conclusions

28. The period 2014-2015 was unique from multiple perspectives. It was the first biennium of the UNDP Strategic Plan, 2014-2017, underpinned by the integrated budget and it was the start of the implementation of the new cost-recovery policy. At the same time, UNDP was faced with the implications of significantly reduced levels of regular resources.

29. UNDP responded to these challenges by making progress towards the objectives of the integrated budget, 2014-2017, underpinned by its three pillars: (a) achieving synergies by integrating the programmatic and institutional budget components; (b) leveraging the new cost classification, to further enhance the transparent and efficient usage of resources; and (c) improving cost alignment through implementing different aspects of the cost-recovery policy. It also adjusted spending levels downwards, while protecting the majority of country-level programme resources and maintaining its support to the United Nations coordination function.

30. Taking into account the actual performance for 2014-2015 discussed in the present report, the UNDP financial resource plan for 2014-2017 remains within the financial framework approved by the Executive Board in decision 2013/28, albeit at a reduced level of regular resources. Because regular resources provide an essential and predictable foundation for responding to the needs of programme countries and supporting the mandate, integrity and resource mobilization platform leading to the results of the Strategic Plan, UNDP, with the support of Member States and other funding partners, will intensify its efforts to achieve the level of regular resources in line with the 2016-2017 financial framework. It will also strive to increase the level of unearmarked other resources through new funding windows.

31. During 2016-2017, UNDP will continue to take measures to reduce the impact of any potential adverse change in resource levels, to ensure that it delivers on the Strategic Plan, 2014-2017 and is well positioned to play a pivotal role in the implementation of 2030 Agenda for Sustainable Development. In this regard, UNDP will appropriately enhance its planning processes towards increased effectiveness and efficiency; leverage new funding windows; adjust spending levels according to needs; accelerate implementation of all the aspects of the cost-recovery policy; improve GLOC collection; and maintain its support to the United Nations coordination function.

32. The above-mentioned efforts, in addition to the lessons learned during the implementation of the Strategic Plan and integrated budget for 2014-2017 will constructively inform the preparation of next strategic plan and integrated resource plan, which encompasses the integrated budget, for the period 2018-2021.